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# INFORMATION REPORT

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COUNTRY China/Hong Kong/USSR/Korea/Burma

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SUBJECT USSR Procurement of Tungsten in China

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1. In 1948 the National Resources Commission (NRC) is reported to have shipped to the USSR more than 3,000 metric tons of tungsten concentrates through Shanghai, on a barter agreement. During the same year, 2,400 metric tons, 65% WO<sub>3</sub>, were shipped through Hong Kong. Several hundred tons were sent to the USSR through Macao. Export circles in Hong Kong believe that Shanghai firms with Eksportkhleb connections were also buying small tonnages from private traders for the USSR account. These figures indicate that the USSR received over 6,000 tons of Chinese tungsten concentrate in 1948. This is quite apart from the amount received by the USSR from North Korea, although some of the South Korea tungsten concentrates were shipped to the USSR through Hong Kong and are included in the Hong Kong figures. It is alleged in Hong Kong that the production of tungsten concentrates in North Korea has been increased to nearly 2,000 metric tons per year, but this figure cannot be confirmed. The USSR also acquired some tungsten from Burma and small amounts from Thailand.
2. When the Chinese Communist armies advanced toward the south, USSR purchases in Hong Kong decreased considerably, and Hong Kong exporters attribute the falling prices to this drop in sales. NRC officials in Hong Kong said they did not know whether any tungsten had been shipped to the USSR in 1949 under the barter agreement. Purchases of tungsten in Shanghai decreased early in 1949, while in Hong Kong there were few offers, even at greatly reduced prices. The Soviet lack of interest in the purchase of tungsten in 1949 was attributed, by Hong Kong exporters, to the USSR's confidence that they would have the first change at Chinese Communist sales of tungsten, once the mines were captured.
3. In 1948 the USSR purchasing in Hong Kong and Shanghai was done by Eksportkhleb representatives through Chinese cover firms. In Hong Kong, Ivanchenko, the Eksportkhleb representative, did his purchasing through the Yangtze Supply Corporation\*, a small Chinese firm which took the offers of the exporters. Payment was usually made in American dollars. The Yangtze Supply Corporation also made purchases through small brokers and from smugglers, and stored the concentrates until large stocks were accumulated for shipment. The Kwong Shing Cheong\*\* aided the Yangtze Supply Corporation in the handling of tungsten. Ivanchenko collected a considerable squeeze from this business in 1949 both through making false invoices at market prices and by demanding a direct cash squeeze before agreeing to buy.\*\*\* In October 1949 he no longer was able to

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make purchases without first obtaining the permission of his superior in Shanghai or North China.

4. Not all of the tungsten concentrates shipped from Hong Kong to the USSR in 1948 went in Soviet ships, but in 1949 all shipments of tungsten and tin were made in Soviet vessels. On two occasions in the summer of 1949, such shipments appeared on the manifest as general cargo, and the Hong Kong Government had no record of the shipment.\*\*\*\*
5. The Channel Trading Company, Limited, 14 Queen's Road Central, has handled shipping of tungsten to the USSR. Three small Hong Kong firms also handle goods destined for the USSR: Tai Hong, Manuel Trading Company, and Chinese Trading Company.
6. Although the procurement of tungsten concentrates for the USSR through Ivanchenko and the Yangtze Supply Corporation has definitely fallen off, there are indications that the USSR is still buying tungsten, but in a different manner. The demand from Western Europe has increased and this appears to be the route by which most Chinese tungsten is shipped to the USSR in 1949. Metal Traders of London, which handles large shares of the metal business in Sweden, has a contract to supply tungsten concentrates to a Swedish firm which represents the USSR. Hong Kong dealers do not believe that Lazarus has a similar contract. Metal Traders of London ships in its own name from London and Belgium. T. O. WONG and Company, Limited,\*\*\*\*\* of Hong Kong has been trying to make connections in Gothenburg, having learned that Metal Traders has been shipping to Gothenburg tungsten concentrates consigned to them in London.
7. Metal Traders of London also handles some of the Burma concentrates, which are sent to Gothenburg, but this production is very small since the Mawchi mines were closed in May 1949.

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